THE BOOTS COMPANY PLC

REPORT AND ACCOUNTS 1990
FOR THE YEAR ENDED 31 MARCH 1990

The Boots Company product range is immense and enormously varied — from pharmaceuticals to paints, baby food to bicycles, cosmetics to car accessories.

To give some indication of this we have depicted in the report some of the products that might be used by people at different stages in their lives.

GROUP HIGHLIGHTS

for the year ended 31st March 1990

	1990 £m	1989 £m	% change on 1989
Turnover	**3,381·4**	2,704·4	+25·0
Profit on ordinary activities before taxation	**358·0**	306·7	+16·7
Profit attributable to shareholders	**243·9**	203·4	+19·9
Capital expenditure	**151·1**	117·9	–
Research and development	**49·0**	39·1	–
Earnings per share	**25·5p**	22·6p	+12·8
Dividend per share	**11·0p**	10·0p	+10·0

FINANCIAL CALENDAR

1990

7th June	Results and final dividend announced.
26th June	Report and accounts circulated.
26th July	Annual general meeting.
20th August	Final dividend payable.
14th November	Interim results and dividend announced.

1991

4th February	Interim dividend payable.

Capital gains tax

For capital gains tax purposes, market values on 31st March, 1982 were as follows:

Ordinary shares of 25p each	112·5p
£100 7¾% loan stock	£62·50

CONTENTS

R N Gunn
Chairman

Robert Gunn, 64, joined the company in 1951 and became a director in 1976. He was appointed Vice Chairman and Chief Executive in 1983, and Chairman in 1985. He relinquished the duties of Chief Executive in October 1987. He is a non-executive director of Foseco. He became a Director of East Midlands Electricity plc in March 1990.

Sir James Blyth
Chief Executive

Sir James, 50, joined the company and the board in October 1987 as Chief Executive, after previous appointments as Group Managing Director of The Plessey Company, and Head of Defence Sales at the Ministry of Defence. He is a non-executive director of Cadbury Schweppes.

K Ackroyd
Managing Director, Retail Division

Keith Ackroyd, 55, joined the company in 1952 and became a director in 1979. He is a Fellow of the Royal Pharmaceutical Society of Great Britain and Chairman of the British Retailers Association. He was appointed Managing Director of Boots The Chemists in 1983. He took up his present position in 1984.

E E Cliffe
Managing Director, Pharmaceuticals Division

Eric Cliffe, 57, joined the company in 1959 and became a director in 1979. He has a D.Phil degree and is a Fellow of the Royal Society of Chemistry and of the Institute of Biology. He took up his current position in 1983.

P H Courtney
Finance Director

Peter Courtney, 57, joined the company as Finance Director in 1982 from the Rank Organisation where he held a similar position. He is a Chartered Accountant.

A H Hawksworth, TD, DL
Personnel Director

Alan Hawksworth, 54, joined the company in 1959 and became a director in 1984. He was previously Director of Personnel, Pharmaceuticals Division. He is a Fellow of the Institute of Personnel Management.

G M Hourston
Managing Director, Boots The Chemists Division

Gordon Hourston, 55, joined the company in 1958 and became Personnel Director on his board appointment in 1981. He is a Fellow of the Royal Pharmaceutical Society of Great Britain. He became Deputy Managing Director of Boots The Chemists in 1984 and became Managing Director in June 1988.

T G Richardson
Marketing Director, Pharmaceuticals Division

Terry Richardson, 53, joined the company in 1971 and became a director in 1983. His responsibilities now include marketing, UK sales and overseas businesses outside the US.

M F Ruddell
Managing Director, Property Division

Mike Ruddell, 46, joined the company in 1966 and became a director in 1984. In 1986 he became Large Stores Director with responsibilities including merchandise and buying within Boots The Chemists. He took up his present position in June 1988.

G R Solway
Director, North America Pharmaceuticals Division

Gordon Solway, 53, joined the company in 1961 and became a director in 1979. An economist, he joined the Pharmaceuticals Division in 1983 with responsibility for production and other services. He took up his present position in 1986. He is based in Illinois, USA.

NON-EXECUTIVE DIRECTORS

A B Marshall
Vice Chairman

Sandy Marshall, 65, became a director in 1981 and Vice Chairman in 1985. He was Chairman of Commercial Union Assurance Company PLC between 1983 and 1990, and is Chairman of the Maersk Company and of Royal Bank of Canada (Holdings) UK Ltd. He is a director of Royal Bank of Canada.

Sir Christopher Benson, FRICS

Sir Christopher, 56, became a director in April 1989. He is Chairman of MEPC, previously Vice Chairman and Managing Director from 1976 to 1988. He is also Chairman of the Housing Corporation, Reedpack Ltd and a director of Sun Alliance & London Insurance. He will become Chairman of The Boots Company PLC on 27th July 1990.

The Rt Hon Sally The Baroness Oppenheim-Barnes of Gloucester

Sally Oppenheim-Barnes, 59, who became a director in 1982, was a Member of Parliament from 1970 to 1987 and Minister of State for Consumer Affairs from 1979 to 1982. She was Chairman of the National Consumer Council from 1987 to 1989 and is a director of Fleming High Income Investment Trust and HFC Bank.

I M G Prosser

Ian Prosser, 46, became a director in 1984. He is Chairman and Chief Executive of Bass and is a director of Lloyds Bank. He is a Chartered Accountant.

Sir Peter Reynolds, CBE

Sir Peter, 60, became a director in 1986. He is Deputy Chairman of Ranks Hovis McDougall plc and Avis Europe Ltd and a director of Guardian Royal Exchange PLC and Pioneer Concrete (Holdings) Ltd.

Registered office
Nottingham, NG2 3AA

Auditors
KPMG Peat Marwick McLintock

Bankers
National Westminster Bank PLC
Barclays Bank PLC

Registrars and transfer office
National Westminster Bank PLC,
Registrar's Department,
P.O. Box 82,
Caxton House,
Redcliffe Way,
Bristol BS99 7NH

Board Audit Committee
A B Marshall, Chairman
I M G Prosser
Sir Peter Reynolds

Board Remuneration Committee
R N Gunn, Chairman
Sir James Blyth
Sir Christopher Benson
A B Marshall
The Baroness Oppenheim-Barnes
I M G Prosser
Sir Peter Reynolds

Secretary
I A Hawtin

I am pleased to report another successful year for your Company. Turnover was £3,381·4 million and profits before tax increased by 16·7% to £358·0 million. Earnings per share grew by 12·8% and the directors have recommended a final dividend of 7·15p per share, making a total 11·0p per share which is an increase of 10·0%.

We continued our strategy of developing the business to ensure sustained, above average growth for our shareholders. It is crucial, we believe, to the success of this strategy that we concentrate on our customers' changing needs, continually improving our service to make certain that we satisfy their aspirations. In Boots The Chemists, where this policy is very apparent, we have an extremely successful business which continues to improve its lead in key markets. However to find avenues to assure high level retail growth in the 1990s we needed to develop additional markets.

This was the purpose of our acquisition in August 1989 of Ward White. We have combined our traditional strength in the High Street with a powerful new presence in the edge of town sector and gained entry to major growth markets.

The considerable experience of our management team in large retail businesses is enabling us to add value to Halfords and A G Stanley. I am confident that these businesses, which have great potential, will make a significant contribution to the profitable growth of Boots.

Earlier this month we announced a joint venture proposing to merge Payless and W H Smith's DIY chain, Do It All. The new company with 230 stores will be one of the largest in the market and a major competitive force.

We have moved quickly to dispose of those operations acquired with Ward White which did not fit with our core retail strategy—the Childs footwear company and the automotive businesses in the US, the Wedin footwear company in Sweden, and the wallpaper factory in the UK.

Following the acquisition of Ward White, we launched a $175 million Eurobond and a £155 million Convertible Capital Bond which enabled the Company to reduce its interest payments.

I was pleased with the progress made in all our retail businesses during the year. In Boots The Chemists the store development programme and the expansion of electronic point of sales systems had the twin effects of enhancing gross margins and improving customer service. Boots Opticians performed well in difficult trading conditions and I believe that our confidence in this business will be increasingly well rewarded.

The Pharmaceuticals Division had a successful year, especially in North America. Synthroid, our treatment for thyroid insufficiency, increased sales and market share and our royalty income from licensees grew most satisfactorily. Boots Italia made an excellent start in its first full year as a 100% owned subsidiary and most of our other companies overseas also made strong progress.

The Chief Executive's Review comments on the latest position on Manoplax, which I am pleased to report engenders increasing confidence.

The new Property Division has established itself well and performed in line with our expectations in its first year. The clear focus of its management should ensure that the Company obtains increasing returns from its substantial UK property portfolio.

The Group Finance Director, Peter Courtney, retires at the end of June, and we wish him a long and happy retirement. He will be succeeded by David Thompson, who joined the Company in 1966 and is at present Group Financial Controller.

I shall be retiring myself at the conclusion of the Annual General Meeting in July. I shall have served the Company for almost 39 years, for the last five years as Chairman. I am delighted that the Board has elected Sir Christopher Benson to succeed me and I have every confidence that under his guidance the Company will continue to prosper.

My career with The Boots Company has been both interesting and satisfying. During the last five years we have made far-reaching changes in the Company, and I believe that it is now stronger and more progressive than at any time in its history.

The success of Boots depends on its people, and we are fortunate to have management and staff of very high calibre. I should like to express my sincere thanks to our shareholders, to my colleagues on the Board, and to all our staff throughout the Company for their support and encouragement over many years.

Robert Gunn

Robert Gunn, Chairman

BOOTS THE CHEMISTS DIVISION

Gordon Hourston, Managing Director

Year ended 31st March 1990	£m
Sales	2268·9
Profit before tax	190·0

Boots The Chemists became a separate Division in November 1989.

There are 1,051 stores with a total sales area of 5·3m sq. ft.

The Division is managed through two groups:

There are 831 'Small Stores' with a sales area per store of up to 6,000 sq. ft. These concentrate on the core business of health and beauty.

'Large Stores' total 220, with sales area per store of up to 46,000 sq. ft. In addition to the core business, Large Stores also include sound vision, cookshop, leisure and home merchandise.

Boots The Chemists is market leader in many areas of its business including healthcare, cosmetics, toiletries, baby consumables, films and film processing.

RETAIL DIVISION

Keith Ackroyd, Managing Director

Year ended 31st March 1990	£m
Sales	539·3
Profit before tax	24·0

Retail Division encompasses the following retail businesses:

Boots Opticians
The second largest chain of opticians in the UK with 354 practices.

Childrens World
An edge-of-town operation with a wide range of children's products from toys to clothing, currently with 18 stores.

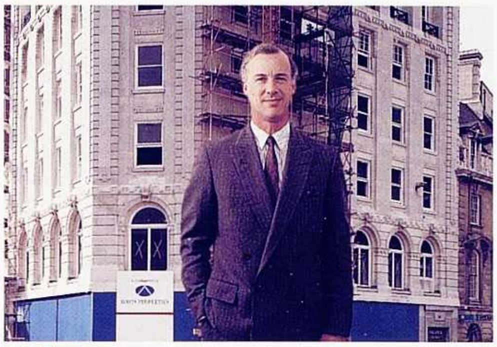
Halfords
The largest retailer of cycles, car parts and accessories. Halfords is also the largest car servicing business in the country. The chain is developing regionally and currently there are 283 High Street and 142 out-of-town Superstores.

Payless DIY
A major out-of-town retailer of DIY with 109 stores, which is proposed to merge with W H Smith's DIY business.

A G Stanley
The largest retailer of home decorating materials through FADS with 370 stores. A new development of Homestyle by FADS includes home enhancement products currently with 55 stores.

Overseas Retail
Sephora in France—perfumery and cosmetics retailing with 37 stores. Boots The Chemists, New Zealand with 16 stores.

PROPERTY DIVISION



Mike Ruddell, Managing Director

Year ended 31st March 1990	£m
Profit before tax	54·4

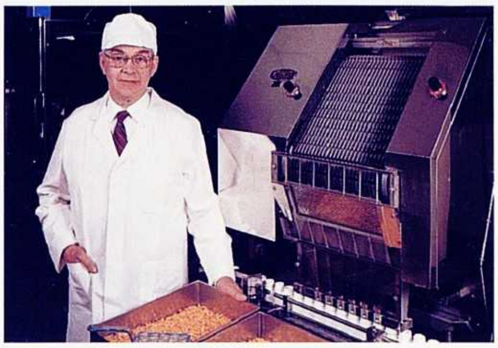
Formed in April 1989 to optimise returns from the substantial UK property portfolio.

The Division is a profit centre charging rent to all tenants, including Boots The Chemists, Retail and Pharmaceuticals Divisions.

The Division actively manages disposals and investment to improve the value of the property portfolio.

Development profits will be generated initially from retail schemes, and a number of commercial and industrial opportunities have also been identified.

PHARMACEUTICALS DIVISION



Dr Eric Cliffe, Managing Director

Year ended 31st March 1990	£m
Sales	583·8
Profit before tax	111·1

The Division researches and develops, manufactures and markets prescription pharmaceuticals, and consumer products.

The major products are:

Ibuprofen
Prescription pharmaceutical **(Brufen)**
Over-the-counter **(Nurofen)**

Flurbiprofen
Prescription pharmaceutical **(Froben)**

Dothiepin
Prescription pharmaceutical **(Prothiaden)**

Levothyroxine
US prescription pharmaceutical **(Synthroid)**

A range of over-the-counter consumer products including **Strepsils**, **Sweetex**, **Optrex**, **E45** and **Farley**.

A wide range of products are developed and manufactured for Boots The Chemists.

There are four manufacturing sites in the UK, with 20 overseas companies, many of which have their own manufacturing units.

Last year Boots achieved considerably improved results while making substantial and necessary strategic progress. Our profit before tax was £358·0 million, an increase of 16·7% over last year. Over the past two years, profits excluding property have risen by 45% and earnings per share by 30%.


Sir James Blyth

Our strategy to build businesses which are leaders in markets with the potential for growth will continue. In retailing this means improving the performance of existing operations by seizing development opportunities and by quality of management. It also means acquiring and initiating new businesses, and then applying to them the same style of management. In our global pharmaceuticals business it also means developing new prescription drugs and consumer products which can, with effective marketing, become leaders in their field.

In our largest retail business, Boots The Chemists, focused management increased sales, profits and productivity.

We entered large new markets through our acquisition of Ward White, disposing of interests which were peripheral to our strategy.

We integrated Halfords and A G Stanley into the Boots Group. Boots Opticians acquired Miller and Santhouse and integrated its business into our chain. Boots Pharmaceuticals Division achieved record profits and made steady progress in developing its portfolio of products for the long term.

BOOTS THE CHEMISTS DIVISION

Our strategy at Boots The Chemists is to offer our customers categories of merchandise to which we can add value with ever increasing authority and efficiency, paying close attention to cost control. Our results reflect the benefits of this strategy, which we have applied consistently for several years.

Profits increased by 25·8% to £190·0 million (1989: £151·0 million) on sales up by 8·9% to £2,268·9 million (1989: £2,084·0 million).

Last year we continued to implement range rationalisation and pursue intensive product development.

Our progress with Healthcare demonstrates the potential for significant expansion of Boots The Chemists core businesses, particularly in smaller stores. Significant steps forward include the enhanced exposure of medicines, development of our Home Healthcare range, trialling an advanced new pharmacy system, and a growing prescription service for residential homes which incorporates a state-of-the-art measured dosage system.

In the Food sector we more than recovered our share of our market for vitamins and dietary supplements, and expanded our range of healthy chilled foods and snacks, which is spearheaded by the Shapers brand.

We have given new attention to the market for consumable baby products, in which we are unchallenged leaders, launching Boots Toddler Meals, Boots Ultra High Disposable Nappies, and Baby Too, a hypoallergenic range of toiletries.

We continued to reposition Boots Brands towards the added value sector in our Beauty and Personal Care businesses. As a result we enjoyed exceptional growth in Hair Care, launching the Boots Professional Hair Care range, and we offered more premium fragrances for both women and men. We have an extensive programme of product development and will produce further products in 1990 and beyond.

In the Small Store chain we continued the upgrading of all stores, including 37 former Underwoods stores in London. We introduced higher quality fittings systems to many stores, and Beauty Departments in particular have produced considerable increases in sales as a result.

Boots The Chemists newly designed healthcare area at Stratford-upon-Avon

Boots The Chemists store at West Bridgford, Nottingham

There's more to having a baby than just having a baby. And no one realises it more than Boots. Right from the start Homestyle by FADS and Payless are on hand to offer expectant parents everything they'd expect to deck out the nursery — be it pink or blue.

And after all the hard labour, there's Boots The Chemists on call with essentials. Baby foods, nappies and toiletries. There's also the pharmacy to keep them all in good health.

Of course, we'll also be there to take them for a ride. When they take possession of their first bicycle from Halfords that is.

Boots The Chemists EPOS action desks, linked to over 440 instore computers

Other innovations include new gift departments, new signing systems for departments and new floor layouts. We opened new Large Stores in Dudley, St Enoch's Square, Glasgow, and Wolverhampton, incorporating the latest design features.

By the end of March 1990 we had installed 8,500 scanning tills in 388 Boots stores. Together with our sophisticated Direct Product Profitability system, our investment in data capture at the point of sale has helped us to monitor closely what our customers want. By analysing this information, we have changed the way we use space in stores and increased our profit per square metre.

RETAIL DIVISION

BOOTS OPTICIANS

The restriction of free National Health Service sight tests and the new availability of ready-made reading spectacles at a wide range of outlets from April 1989 caused a dramatic reduction in the national market for opticians. In these difficult conditions Boots Opticians performed well, producing a net profit of £2·2 million.

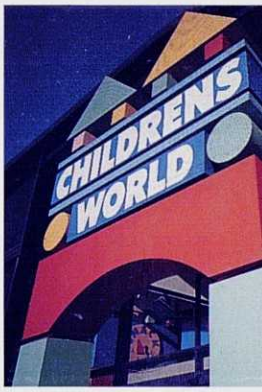
Boots Opticians new store at Canterbury

We increased market share with our modern, well equipped practices and high standards of customer care. We installed a sophisticated practice-based computer system to manage a customer database approaching 3 million people.

We acquired Miller and Santhouse in September and we shall complete the conversion of all practices to Boots Opticians by mid 1990. Converted practices have already produced substantial increases in customer numbers and sales.

CHILDRENS WORLD

We opened two new Childrens World stores during the year, bringing the total number of stores to 18. Sales increased despite the effects of the heatwave on first half turnover. In the second half, comparative stores showed a sales increase of 21%, helped by the brand building television campaign before Christmas. The difficulty of finding suitable sites for Childrens World has slowed this chain's move into profit. To overcome this problem we have now developed a new compact format so that we can expand more rapidly into smaller conurbations, and we plan to open six or seven of these compact stores this year.



Childrens World at Croydon

OVERSEAS

We continued to make progress overseas with Sephora in France increasing sales by 11·3%, helped considerably by the increased number of major agency brands available within our stores. In New Zealand we acquired five specialist Idle Eyes sunglasses stores to add to our eleven existing stores.

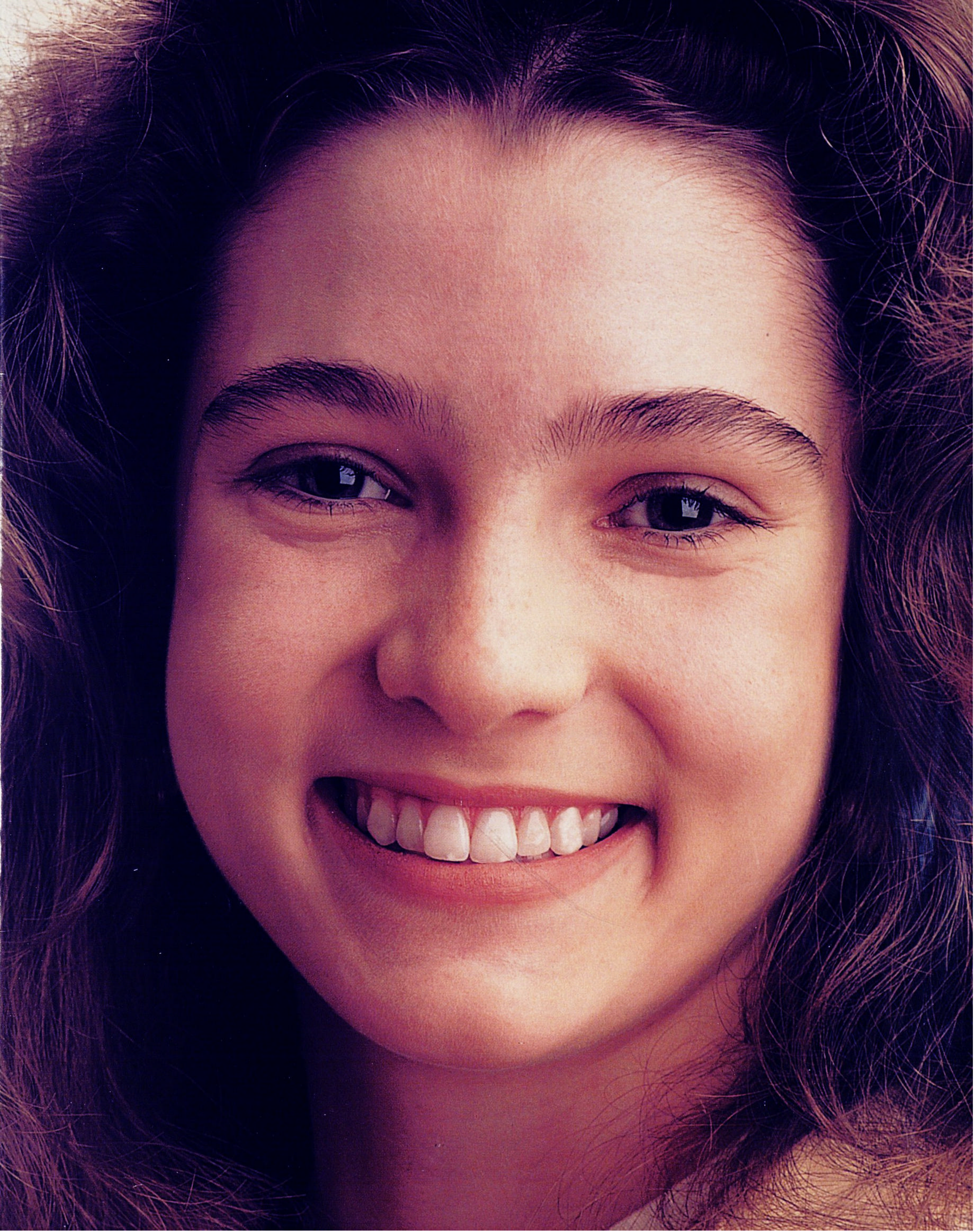
HALFORDS

At the time of acquisition Halfords was the largest retailer of cycles and car parts and accessories in the UK. Since Halfords became part of Boots we have accelerated the programme of opening edge of town superstores with service centres, so that it has become the UK's largest chain of car service centres.

Sales grew by more than 20% on a 12 month comparable basis and profitability increased in every area of the business. We invested £18 million in opening 42 new edge of town superstores and car service centres.

When teenagers are suffering from growing pains, you can always rely on Boots to make them feel better. And look better. With the Natural Collection of make up and toiletries.

They'll also find it worth taking a look at Boots Opticians, where there's a wide selection of glasses to suit everyone. And then, there are those big decisions in life. Which compact disc should they choose out of the wide selection on offer. Well, whatever it is, it's bound to be a hit.



Halfords superstore at Stratford-upon-Avon

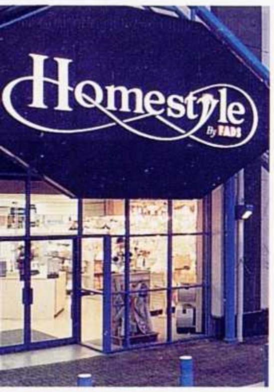
By the end of the year, Halfords was trading from 283 High Street stores and 142 superstores—109 with service centres. The new stores helped Halfords to increase cycle sales to more than 400,000 units—over 20% of the market.

As in our other retail operations, we are continually reviewing and upgrading Halfords' product mix with the assistance of accurate information systems so that we can introduce new products and take opportunities to increase sales and improve margins.

We launched the Halfords Service Centre Apprenticeship Scheme to train selected school leavers and supply the stores with skilled mechanics in an increasingly competitive market.

PAYLESS DIY / A G STANLEY

High interest rates and stagnation in the housing market have caused problems for the DIY and home decorating industry, but through tight control of costs we have been able to maintain a satisfactory performance at both Payless and A G Stanley. In Payless 12 new stores were opened bringing our total selling space to more than 2·7 million sq ft. The recently announced joint venture, proposing to merge Payless with W H Smith's Do It All, will significantly improve the prospects for growth of the combined businesses.



The new development of Homestyle by FADS at White City, Manchester

A G Stanley is the leader in the High Street in paints and wallpaper, and we have restructured the business into two clearly defined retailing concepts—FADS The Decorating Specialists and the new Homestyle by FADS, extending the core business into the expanding home enhancement market.

PROPERTY DIVISION

We established the Property Division on 1st April 1989 to improve returns from our substantial UK property portfolio through more active management and property development. We carried out a review of our portfolio to identify opportunities for redeveloping vacated or redundant property and using store freeholds to obtain better representation for our retail businesses.

During the year we have made disposals of £20 million and re-invested £21 million to improve existing tenure and acquire new representation. We recently appointed Jones Lang Wootton as our strategic property investment advisers.

We have a number of developments in progress, which are mainly retail schemes, but we have also pinpointed commercial and industrial opportunities. No development profits were realised during the year, but schemes in Liverpool and Salisbury are nearing completion and will be marketed soon.

We have invested in a computer based property and portfolio data management system which will enable property managers throughout Boots to share information. This will give us a competitive edge in dealings with landlords, tenants and other property professionals.

We are very satisfied with the smooth start made by this new division in difficult market conditions.

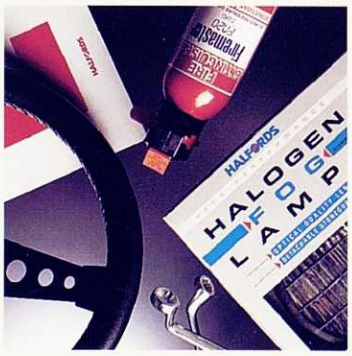
A Boots Properties redevelopment of a former Boots The Chemists store, in Liverpool

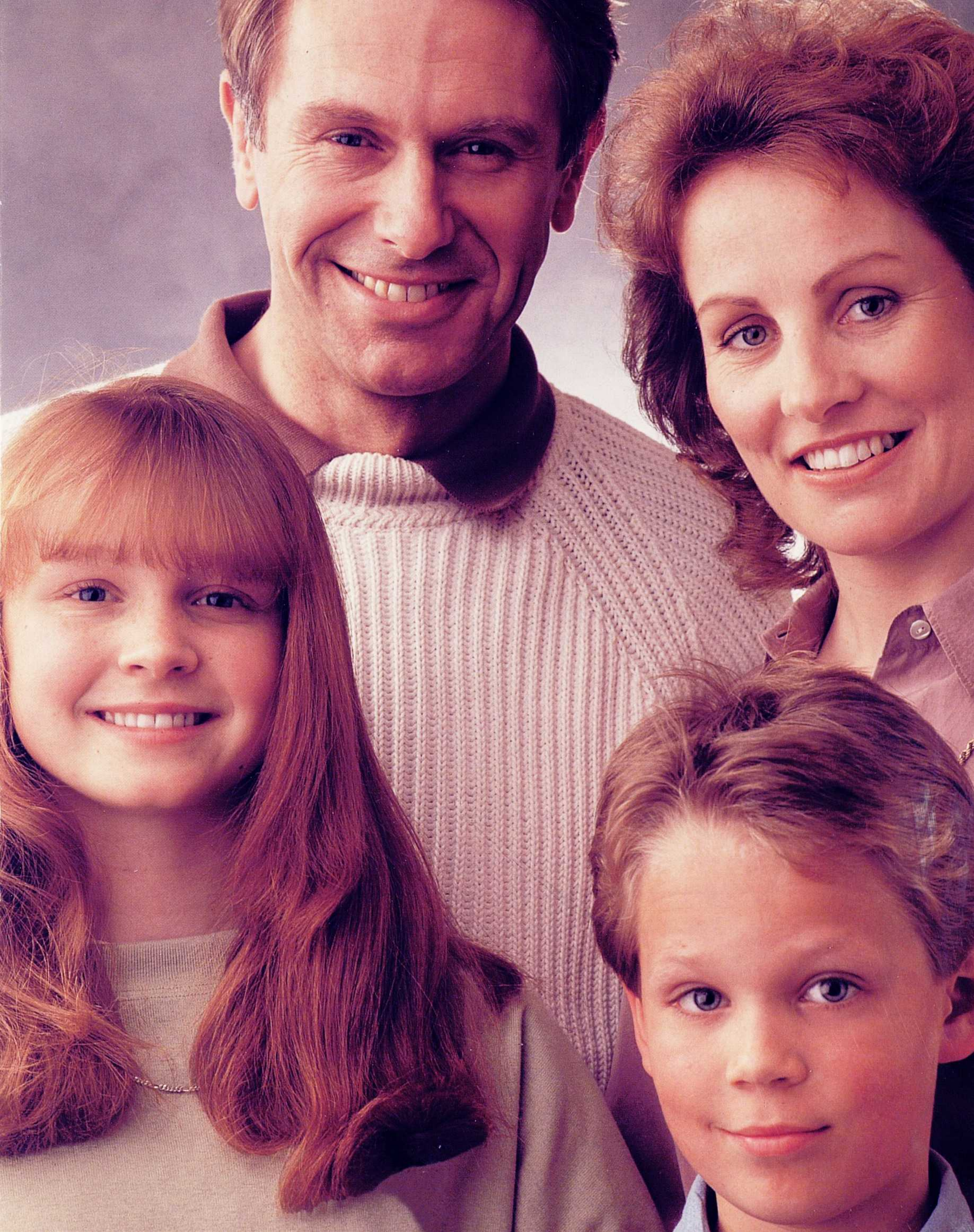
PHARMACEUTICALS DIVISION

Boots is one of the major UK-based companies engaged in the development, manufacture and marketing of both prescription drugs and consumer health care products worldwide.

You could say that Boots is a family business. Because it is. We've got something for all the family. The Cookshop has a wonderful supply of goodies for people with a taste for cooking. And if they decide to change their taste in the house, there's FADS and Payless.

Halfords will service the car and stock all those car accessories you always wanted. For kiddies who lead their life in the fast lane there's Halfords too. Where, if they're lucky, they'll get their first set of wheels.





RESEARCH AND DEVELOPMENT

Froben SR capsules, a once-a-day antirheumatic prescription product

We have an excellent record of discovering treatments in major therapeutic areas, such as rheumatology and the relief of pain, cardiovascular disease, mental illness, diabetes and immunology. We are continuing to concentrate our research and development effort in these key areas. As we continue to show with ibuprofen, a successful product in one of these areas can provide a stream of profits not only during the life of a patent but through new prescription and over-the-counter (OTC) formulations for many years afterwards.

Our new products in the pipeline assure the Pharmaceuticals Division of opportunities for growth in profits through the 1990s. These are some of the highlights from 1989-90:

- We made good progress in extending ibuprofen in three directions.

  Following its approval in the UK, we recently launched Junifen, a syrup containing ibuprofen, as a treatment of fever and pain in children, and we are awaiting registration in other European countries.

  We have developed Brufen Retard, a sustained release formulation of ibuprofen so it can be administered once-a-day, and we are gaining marketing approval in a number of countries.

  We are engaged in development work on line extensions to Nurofen, our OTC painkiller containing ibuprofen. We have either secured approval or we are in the process of registering a dispersible tablet formulation in several European countries, with the first launch scheduled for later this year.

- The development programme for Manoplax, our major new cardiovascular drug, has now reached a most encouraging stage. We have completed the large scale multi-centre clinical trials for treatment of congestive heart failure in the UK and the US.

After an initial delay in submitting marketing applications, which was caused by unprecedented problems of statistical analysis, we were able to demonstrate that Manoplax is indeed an effective treatment.

We are currently assembling the information to seek approval in the UK, the US and other important markets. Our licensee in Japan, Otsuka Pharmaceuticals, is extending clinical studies in heart failure as planned.

- We are continuing with a substantial programme of clinical work in Europe and the US on our new antidepressant product, BTS 54 524, and we have also initiated pilot studies of its potential as a treatment for obesity.
- In pre-clinical development we have a new agent for lowering blood glucose in non-insulin dependent patients with diabetes, and a compound for the treatment of various conditions mediated by the immune system.
- Among the areas of new technology we are investigating for consumer products are sunscreen formulations. We have developed formulations to give better protection against both UVA and UVB radiation, without using conventional chemical sunscreens which can irritate sensitive skins. We have filed several patent applications and have already used the new formulations in consumer products.

MANUFACTURING AND MARKETING

Our marketing operations in the UK, the US and most other international markets performed well with global profits at £111·1 million, increasing by 16·6%.

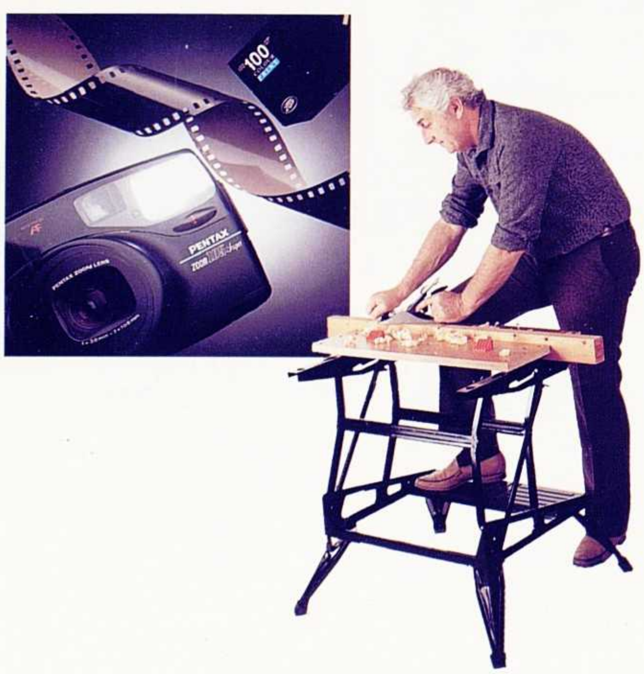
In the UK, total sales increased by 4·1%, including those of Own Brands manufactured for Boots The Chemists.

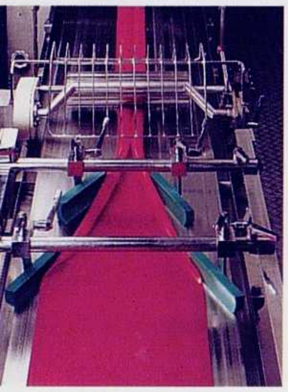
We made continued progress in Crookes Healthcare. Nurofen, the OTC ibuprofen, increased its share in the UK pharmacy market to 17%.

Own Brand vitamins manufactured for Boots The Chemists

At Boots we take care of people all through their lives. And when they retire we don't stop working. In fact, you could say we work even harder.

There's our wide range of vitamins and health foods. Products to keep them in the best of health. And one of the best photography departments any budding David Bailey would love to snap up. And for those wishing to take up DIY a visit to Payless or Fads should be the order of the day.





Strepsils manufacturing line at Beeston, Nottingham

We introduced new packaging for Optrex eye preparations and a new menthol variant of Strepsils. Early in 1990 we added Lunch Timers and Tea Timers to the Farley's Breakfast Timers concept of baby foods meal segmentation.

Amid a general decline in UK prescription medicine sales caused by the increase of generic prescribing, Froben SR, our once-a-day antirheumatic, made good progress. We acquired Asilone, an established antacid, from Rorer Healthcare in October to increase our presence in the indigestion remedies market and our UK sales force is now promoting it.

We made a number of changes to our UK manufacturing arrangements as part of a programme to phase out old facilities, obtain the benefits of new computer technology, increase capacity and concentrate production at fewer centres. We closed our older production facilities in Nottingham, and Farley's Plymouth factory will close during 1990 because it has limited scope for expansion. We are transferring cereal manufacturing to a new facility at our Kendal factory.

In European companies, sales grew by 17·9%, led by consumer products in Holland, Froben Retard in Spain, by Esberiven, Strepsils and Nurofen in France and by the newly acquired cardiovascular products, Kadiur and Kanrenol, in Italy.

In Asia and the Pacific we achieved good sales of consumer and prescription products, including Carafate, which is licensed in Australia from Chugai of Japan. Our exports to Japan were strengthened by the demand for flurbiprofen from poultice manufacturers.

Sales in North America, at comparative exchange rates, rose by 16·6%.

Synthroid reached unit sales 20% ahead of the 1986 level, when we acquired the product. The effective marketing of prescription flurbiprofen by Upjohn and OTC ibuprofen by Whitehall Laboratories helped us to achieve royalties from licensees in North America of US $34 million. We took the decision with our joint venture partner, Hoechst Celanese, to increase the design capacity of our new plant for the manufacture of ibuprofen in Bishop, Texas, to 3,500 tonnes per annum in order to meet the growing demand.

THE FUTURE

I opened this review by restating our strategy of building market leaders. I believe that we now have a very strong combination of businesses.

The pre-eminence of our heritage business, Boots The Chemists, as a pharmacy is of course undisputed, but it equally dominates the markets for cosmetics and skin care, fragrances, toiletries and baby consumables among others. And we are continually pressing into new areas.

We have made very rapid progress with each of our new retail businesses. Halfords dominates its market—car parts and accessories, bicycles and cycle accessories, and now car servicing—and is poised to increase market share. We have made fundamental changes at Childrens World, Boots Opticians and A G Stanley, which I have already described. Payless is well positioned to make its full contribution to the planned joint venture, to which I have referred earlier.

Our Pharmaceuticals business combines fruitful research and development with marketing power. We have an excellent record of innovation and through our network of Boots sales forces and marketing agreements with other companies we are in a position to exploit products effectively in all the world's major markets.

Sir James Blyth, Chief Executive

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited accounts for the year ended 31st March 1990.

Principal activities

The group's worldwide trading has until recently been conducted through the Pharmaceuticals Division, the principal activities of which are the research, manufacturing and marketing of pharmaceutical and consumer products, and the Retail Division. In April 1989, a separate Property Division was formed to manage and develop the group's UK property portfolio.

Following the acquisition of Ward White Group plc in August 1989, Boots The Chemists, whose principal activity is the retailing of chemist and other merchandise, became a separate division. All other retailing activities including autoparts, DIY, opticians and children's merchandise, were concentrated in a new Retail Division.

A review of group activities by the Chief Executive is shown on pages 8 to 25.

Group results

The group profit and loss account for 1990 shown on page 28 includes the following details:

	£m
Turnover	3381·4
Profit on ordinary activities before taxation	358·0

Appropriations

The directors recommend the payment of a final dividend of 7·15p per share which, if approved by shareholders, will be posted on 20th August 1990 to shareholders registered on 21st June 1990. When added to the interim dividend of 3·85p already paid this makes a total dividend for the year of 11·0p per share (1989 10·0p per share). Payment of these dividends requires £107·8m (1989 £92·6m), leaving £136·1m (1989 £110·8m) retained in the business.

Group structure

In August 1989 the group acquired Ward White Group plc, a group of autoparts and DIY retailing companies operating predominantly in the UK and US. Its US businesses, however, did not meet with Boots long term strategic objectives and it was announced at the date of acquisition that they would be sold. To date one of these businesses has been sold and contracts for the autoparts businesses have been exchanged. In September 1989 Miller and Santhouse PLC, a chain of retail optical practices was also acquired. During the year the group purchased the minority interests in Laboratoires Boots-Dacour SA and Kanoldt Arzneimittel GmbH. Small surgical and precision instruments businesses and a minority interest in a Nigerian pharmaceutical company were sold.

Since 31st March the group has announced that contracts have been signed to effect the merger of Payless DIY with W H Smith's Do It All into a new joint venture in which it will have a 50% interest. The group has also taken a majority holding in the Yugoslavian company.

Share capital

Details of shares issued during the year are shown in note 19 on page 42.

Shareholders

The register maintained by the company under Section 211 of the Companies Act 1985 as at 1st June 1990 contains a notification to the company that the Prudential Corporation group of companies holds 3·82% of the issued ordinary share capital of the company. As at that date, there were no other entries in that register.

Fixed assets

The group's UK freehold and long leasehold properties, excluding factories and specialised buildings, were professionally valued by Hillier Parker, and Weatherall Green and Smith, as at 31st March 1989. This valuation was on the basis of open market value for existing use. The valuation amounted to £818·5m and showed a surplus of £568·9m over net book value, which was incorporated into the accounts in 1989. The directors are of the opinion that the market value of properties of the group at 31st March 1990 was not materially different from that stated in the accounts. On 1st April 1989 ownership of a significant number of the group's properties was transferred to Boots Properties PLC, a property holding company within the new Property Division.

Details of fixed assets are shown on pages 36 to 38.

Staff

The company continues to involve staff in the decision-making process, through line management, a comprehensive structure of staff councils, and with trade unions where they represent staff. In addition *Boots News,* which is published every six weeks, is sent to employees throughout the world. This is supported by an annual report to staff and a video presentation, in which the directors report on group results.

In the UK, staff involvement in the company's performance is encouraged through employee bonus and share schemes. The involvement of staff also extends to the board of Boots Pensions Ltd, on which there are four employee representatives. Many parts of the company have active quality teams, comprising members of management and staff, dedicated to improving the quality of products and services.

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

The training and re-training of staff is a high priority. Much of this training is on-the-job as well as by internal and external courses. The company has continued its support for the Youth Training Scheme and during the year has co-operated in the government's new Employment Training Scheme.

Business in the Community

The company's support for job creation through Business in the Community has been increased. The number of Local Enterprise Agencies to which the company gives financial and other support is now 118.

Charitable donations

Donations for charitable and education purposes in the UK for the year were £776,000 (1989 £734,000). There were no political payments.

Directors

On 31st July 1989, Mr B H C Theobald resigned from the board on his retirement from the company.

On 18th January 1990, Mr R N Gunn announced his intention to retire as Chairman at the conclusion of the company's annual general meeting in July 1990. The board has elected Sir Christopher Benson FRICS to succeed as Chairman.

Mr D A R Thompson has been appointed to the board with effect from 1st July 1990 and in accordance with Article 107 will retire and offer himself for re-election at the annual general meeting. Mr Thompson has a service contract which is terminable by the company giving not less than 3 years' notice. He will succeed Mr P H Courtney as Finance Director following the latter's retirement on 30th June 1990.

Sir Peter Reynolds retires by rotation in accordance with Article 100 and offers himself for re-election. Sir Peter has no service contract with the company.

No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group's business.

Details of the interests of the directors and their families in the share and loan capital of the company are shown in note 26 on page 47.

Company status

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors

At the company's last annual general meeting Peat Marwick McLintock were reappointed as auditors of the company. Since then they have changed the name under which they carry on business to KPMG Peat Marwick McLintock.

It is proposed to re-appoint KPMG Peat Marwick McLintock as auditors and a resolution to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
I A Hawtin, Secretary
7th June 1990

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1990

	Notes	1990 £m	1989 £m
Turnover	*2*	**3381·4**	2704·4
Trading profit	*3*	**386·5**	283·0
Net interest	*4*	**(26·9)**	23·7
Servicing cost of convertible capital bonds	*22*	**(1·6)**	—
Profit on ordinary activities before taxation	*2*	**358·0**	306·7
Taxation on profit on ordinary activities	*5*	**(112·6)**	(96·8)
Profit on ordinary activities after taxation		**245·4**	209·9
Minority interests		**(·6)**	(·8)
		244·8	209·1
Extraordinary items after taxation	*6*	**(·9)**	(5·7)
Profit for the financial year attributable to shareholders	*7*	**243·9**	203·4
Dividends	*8*	**(107·8)**	(92·6)
Profit retained		**136·1**	110·8
Earnings per share	*9*	**25·5p**	22·6p

Movements in reserves are shown in note 20 on page 43.

	Notes	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Fixed assets					
Intangible assets	*10*	**37·3**	5·6	**10·3**	5·2
Tangible assets	*11*	**1513·9**	1277·0	**163·0**	214·0
Investments	*12*	**3·5**	3·3	**1122·6**	290·3
		1554·7	1285·9	**1295·9**	509·5
Current assets					
Stocks	*13*	**532·8**	405·9	**157·0**	161·3
Debtors	*14*	**319·1**	212·2	**422·1**	385·0
Investments	*15*	**28·9**	324·6	**1·9**	266·6
Cash at bank and in hand		**5·2**	4·2	**·1**	·1
		886·0	946·9	**581·1**	813·0
Creditors: amounts falling due within one year	*16*	**(952·4)**	(553·4)	**(672·9)**	(430·6)
Net current (liabilities)/assets		**(66·4)**	393·5	**(91·8)**	382·4
Total assets less current liabilities		**1488·3**	1679·4	**1204·1**	891·9
Creditors: amounts falling due after more than one year	*17*	**(165·0)**	(24·3)	**(324·2)**	(41·4)
Provisions for liabilities and charges	*18*	**(36·1)**	(16·4)	**(8·3)**	(14·4)
		1287·2	1638·7	**871·6**	836·1
Capital and reserves					
Called up share capital	*19*	**245·0**	231·7	**245·0**	231·7
Share premium	*20*	**22·0**	14·0	**22·0**	14·0
Revaluation reserve	*20*	**561·6**	571·0	**—**	32·7
Profit and loss account	*20*	**302·0**	820·6	**604·6**	557·7
		1130·6	1637·3	**871·6**	836·1
Convertible capital bonds	*22*	**155·0**	—	**—**	—
Minority interests		**1·6**	1·4	**—**	—
		1287·2	1638·7	**871·6**	836·1

Approved by the board

Robert N Gunn } Directors
James Blyth

7th June 1990

SOURCE AND APPLICATION OF FUNDS

for the year ended 31st March 1990

	1990 £m	1990 £m	1989 £m	1989 £m
Source				
Group trading:				
Profit on ordinary activities before taxation		358·0		306·7
Share of results of related companies		(1·4)		(1·2)
Depreciation less net surplus on disposal of fixed assets		63·5		47·5
		420·1		353·0
Dividends from related companies		·3		·3
Proceeds on disposal of tangible fixed assets		27·9		21·9
Loans		131·5		12·5
Issue of convertible capital bonds		155·0		—
Issue of ordinary shares		159·0		7·6
		893·8		395·3
Disposal of businesses		3·6		35·7
		897·4		431·0
Application				
Capital expenditure		151·1		117·9
Investment in subsidiaries and businesses		912·7		55·4
Intangibles		33·1		·1
Change in creditors due after more than one year		(3·1)		(1·7)
Provisions utilised		22·3		—
Dividends paid		97·9		85·0
Taxation paid		113·5		77·1
Changes in working capital:				
Stocks	19·3		16·6	
Debtors	(27·2)		24·6	
Creditors falling due within one year	(93·0)		(·3)	
		(100·9)		40·9
Other items		·9		(·6)
		1227·5		374·1
Changes in net cash resources:				
Listed investments	(64·9)		5·0	
Short term deposits	(234·9)		74·3	
Cash at bank and in hand	(·6)		(2·4)	
Bank loans and overdrafts	143·7		(20·0)	
Bills of exchange—bank acceptances	(65·8)		—	
Commercial paper	(107·6)		—	
		(330·1)		56·9
		897·4		431·0

Disposal of businesses comprises tangible fixed assets £1·2m, net current assets £3·3m, and loss £·9m.
Investment in subsidiaries and businesses acquired (before recognising statutory share premium relief of £137·7m) comprises tangible fixed assets £182·9m, goodwill £798·5m, deferred tax asset £11·5m, acquisition provisions £44·2m, minority interests £·3m and net current liabilities of £35·7m. £738·1m of consideration was met in cash and £24·4m in variable rate loan notes.
Exchange differences on translation of results and opening net assets of overseas subsidiaries have been excluded from applications as they do not represent movements of funds.

1 ACCOUNTING POLICIES

The following accounting policies have been used in dealing with items which are considered material in relation to the group accounts.

Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 4th schedule to the Companies Act, 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 228 (7) of the Companies Act, 1985.

Consolidation

The accounts combine the results of the company and its subsidiaries and related companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the fair value of net tangible assets acquired is written off to reserves.

Related companies are those companies in which the group has an equity interest of between twenty per cent and fifty per cent and over whose policies the group is able to exercise a significant degree of influence. The proportion of results attributable to the group is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income. In the group balance sheet investments in related companies are shown at the group's share of net assets excluding goodwill.

Foreign currencies

The results of overseas companies are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the date of the group balance sheet.

Translation differences are taken to reserves. Other exchange gains or losses are taken to trading profit where they relate to items of a trading nature. Overseas investments are stated at the rate of exchange in force at the date each investment was made.

Fixed assets and depreciation

With effect from 1st April 1989 profits and losses arising from the disposal of properties which have previously been revalued are calculated by reference to their original cost. Prior year results have not been restated as the effects are not material.

No depreciation is provided on freehold land, shop freeholds and long leaseholds with more than 50 years to run because of their high residual values, nor on assets in course of construction. Other tangible fixed assets are written off by equal instalments over their expected normal lives. The maximum life assumed for freehold buildings, other than shops, is forty years, and the lives assumed for fixtures and plant vary between three and twenty-five years.

Intangible fixed assets acquired are normally written off by equal annual instalments over lives estimated to range from four to fifteen years. The sole exception to the foregoing is certain trade marks and associated rights against which no annual depreciation is charged, but which are reviewed annually by the directors to verify their continued carrying value. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Capitalisation of interest
Interest incurred on borrowings to finance specific property developments is capitalised.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development
Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding
The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

The cost of providing pensions is spread over the employees' working lives with the group. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

Certain overseas companies operate their own pension schemes.

Leases
The group's principal leased assets are properties acquired under operating leases. The costs of these leases are charged directly to the profit and loss account.

Deferred taxation
A deferred taxation provision is made only where the effects of timing differences between profits as stated in the accounts and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent that it is expected to be recovered.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets since any liability has been deferred indefinitely under capital gains provisions. Provision for taxation on the revaluation surplus is made to the extent that the gain is not expected to be sheltered by rollover relief under The Capital Gains Tax Act 1979.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies as the major part of these profits will not be remitted.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1990		1989	
	Turnover £m	**Profit £m**	Turnover £m	Profit £m
Pharmaceuticals Division				
UK (including exports)	**324·6**	**35·5**	315·4	37·3
Overseas	**293·8**	**75·6**	244·5	58·0
Intra-divisional	**(34·6)**	**—**	(35·3)	—
	583·8	**111·1**	524·6	95·3
Boots The Chemists Division	**2268·9**	**190·0**	2084·0	151·0
Retail Division				
Halfords	**170·6**	**12·0**	—	—
Payless	**139·9**	**11·8**	—	—
A G Stanley	**70·2**	**4·7**	—	—
Boots Opticians	**57·1**	**2·2**	49·3	3·6
Childrens World	**42·3**	**(6·4)**	26·6	(6·5)
Overseas	**59·2**	**(·3)**	145·2	1·5
	539·3	**24·0**	221·1	(1·4)
Property Division				
Net rents	**—**	**39·2**	—	34·4
Profit from property sales	**—**	**15·2**	—	11·7
	—	**54·4**	—	46·1
Inter-divisional	**(130·4)**	**—**	(125·3)	—
Net interest and unallocated items	**—**	**(29·8)**	—	15·7
	3261·6	**349·7**	2704·4	306·7
Discontinued operations	**119·8**	**8·3**	—	—
	3381·4	**358·0**	2704·4	306·7

The results of the former Ward White businesses have been included from 22nd August 1989 and amount to £39·0m before interest. The Property Division was established with effect from 1st April 1989 to manage and develop the group's UK property portfolio. Accordingly, the 1989 results have been restated on a comparable basis. Results from discontinued operations relate to the former US Ward White businesses now sold, or in the process of sale.

Turnover by geographical destination and related profits are as follows:

	1990		1989	
	Turnover £m	**Profit £m**	Turnover £m	Profit £m
UK	**2846·6**	**289·7**	2254·4	221·2
Europe	**187·8**	**13·5**	157·3	12·1
US	**258·4**	**74·9**	111·9	46·1
Other Americas	**4·9**	**·5**	100·4	2·9
Rest of World	**83·7**	**7·8**	80·4	7·5
	3381·4	**386·4**	2704·4	289·8
Share of results of related companies	**—**	**1·4**	—	1·2
Net interest and unallocated items	**—**	**(29·8)**	—	15·7
	3381·4	**358·0**	2704·4	306·7

Turnover comprises sales to external customers excluding sales taxes.

3 TRADING PROFIT

	1990 £m	1989 £m
Turnover	**3381·4**	2704·4
Cost of sales	**(1925·8)**	(1619·9)
Gross profit	**1455·6**	1084·5
Selling, distribution and branch costs	**(931·1)**	(690·4)
Research and development costs	**(49·0)**	(39·1)
Administration costs	**(127·4)**	(99·3)
Surplus on disposal of properties	**15·2**	11·7
Other operating income	**21·8**	14·4
Share of results of related companies	**1·4**	1·2
Trading profit	**386·5**	283·0
Trading profit is after charging:		
Property rents	**90·6**	49·5
Depreciation	**73·7**	57·4
Computer and plant hire	**8·0**	5·5
Remuneration of auditors	**·8**	·7
The key average exchange rates for the year were:		
US dollar	**1·61**	1·76
Deutschemark	**2·95**	3·17

4 NET INTEREST

	1990 £m	1989 £m
Interest receivable:		
Listed investments	**4·1**	7·0
Short term deposits	**21·2**	24·3
	25·3	31·3
Interest payable:		
Repayable within five years:		
Bank and other loans	**(49·0)**	(7·4)
Interest capitalised	**2·6**	—
Loans repayable after five years	**(5·8)**	(·2)
	(52·2)	(7·6)
	(26·9)	23·7

5 TAXATION

	1990 £m	1989 £m
The charge on the profit of the year consists of:		
UK corporation tax at 35%	**96·6**	93·9
Deferred taxation	**3·4**	(3·4)
Relief for overseas taxation	**(4·4)**	(5·2)
Total UK taxation	**95·6**	85·3
Overseas taxation	**15·0**	9·3
Overseas deferred taxation	**1·5**	1·6
Share of taxation of related companies	**·5**	·6
	112·6	96·8
Unprovided deferred taxation in respect of the year:		
Capital allowances	**3·6**	6·2
Capital gains taxation	**2·0**	2·5
Other items	**2·5**	(2·4)
	8·1	6·3

6 EXTRAORDINARY ITEMS AFTER TAXATION

Loss on closure and disposal of businesses	**(·9)**	(9·7)
Profit on disposal of businesses	—	3·0
	(·9)	(6·7)
Taxation	—	1·0
	(·9)	(5·7)

7 PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders £154·7m (1989 £173·2m) is dealt with in the accounts of the parent company.

8 DIVIDENDS

Interim paid of **3·85p** per share	(1989 3·5p)	**37·7**	32·4
Final proposed of **7·15p** per share	(1989 6·5p)	**70·1**	60·2
11·00p	10·0p	**107·8**	92·6

9 EARNINGS PER SHARE

Earnings per share calculations are based on 958·7m (1989 925·0m) average ordinary shares in issue, weighted on a time basis and profit before extraordinary items of £244·8m (1989 £209·1m).

The effect on earnings per share of conversion of the convertible capital bonds and the exercise of outstanding share options by directors and employees would not be material.

10 INTANGIBLE FIXED ASSETS

Patents, trade marks and other product rights acquired.

	Group £m	Parent £m
Cost		
At 31st March 1989	7·3	6·8
Additions	33·1	5·9
At 31st March 1990	40·4	12·7
Depreciation		
At 31st March 1989	1·7	1·6
Depreciation for year	1·4	·8
At 31st March 1990	3·1	2·4
Net book value at 31st March 1990	37·3	10·3

Non depreciable trade marks and associated rights held by a subsidiary amounted to £12·2m (1989 £—m).

11 TANGIBLE FIXED ASSETS

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Group					
Cost or valuation					
At 31st March 1989	951·5	175·8	430·6	22·1	1580·0
Currency adjustments	2·6	·7	3·7	—	7·0
Additions	18·7	26·8	86·7	18·9	151·1
Subsidiaries acquired	106·1	·5	110·7	11·9	229·2
Disposals: businesses	(·6)	(·7)	(·6)	—	(1·9)
other	(18·9)	(11·0)	(21·0)	—	(50·9)
Reclassifications	(57·3)	4·7	67·1	(14·5)	—
At 31st March 1990	1002·1	196·8	677·2	38·4	1914·5
Depreciation					
At 31st March 1989	39·8	75·4	187·8	—	303·0
Currency adjustments	·5	·6	1·7	—	2·8
Depreciation for year	5·1	13·6	53·6	—	72·3
Subsidiaries acquired	8·6	·3	37·4	—	46·3
Disposals: businesses	—	(·4)	(·3)	—	(·7)
other	(·9)	(7·7)	(14·5)	—	(23·1)
Reclassifications	(16·6)	1·1	15·5	—	—
At 31st March 1990	36·5	82·9	281·2	—	400·6
Net book value at 31st March 1990	965·6	113·9	396·0	38·4	1513·9

11 TANGIBLE FIXED ASSETS (continued)

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Parent					
Cost or valuation					
At 31st March 1989	94·9	133·6	105·0	6·8	340·3
Additions	·7	12·7	14·6	1·1	29·1
Disposals	(·3)	(9·3)	(3·3)	—	(12·9)
Transfer to Property Division	(44·3)	(·4)	(6·3)	—	(51·0)
Reclassifications and transfers	(4·5)	(5·7)	1·6	(4·0)	(12·6)
At 31st March 1990	46·5	130·9	111·6	3·9	292·9
Depreciation					
At 31st March 1989	14·2	60·6	51·5	—	126·3
Depreciation for year	1·2	8·6	10·7	—	20·5
Disposals	—	(6·5)	(2·4)	—	(8·9)
Transfer to Property Division	—	(·1)	(2·8)	—	(2·9)
Transfers	(1·4)	(3·3)	(·4)	—	(5·1)
At 31st March 1990	14·0	59·3	56·6	—	129·9
Net book value at 31st March 1990	32·5	71·6	55·0	3·9	163·0

	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Net book value of land and buildings comprises:				
Freehold	**771·1**	728·8	**32·5**	78·9
Long leasehold (more than 50 years unexpired)	**143·1**	128·3	**—**	·5
Short leasehold	**51·4**	54·6	**—**	1·3
	965·6	911·7	**32·5**	80·7
Analysis of cost or valuation:				
Cost	**1102·2**	752·5	**285·1**	284·2
Independent valuation 1989	**803·5**	818·5	**—**	48·3
1965	**·9**	1·1	**—**	—
1959	**·1**	·1	**—**	—
1958	**7·8**	7·8	**7·8**	7·8
	1914·5	1580·0	**292·9**	340·3
Net book value of tangible fixed assets under the historical cost convention	**947·5**	701·0	**162·3**	180·2

On 1st April 1989 the Property Division was formed and ownership of certain freehold, long leasehold and short leasehold properties of the parent company was transferred to Boots Properties PLC.

12 FIXED ASSETS—INVESTMENTS

	Related companies £m
Group	
Share of net tangible assets at 31st March 1989	3·3
Share of results for the year	·9
Dividends paid	(·3)
Disposals	(·2)
Currency adjustments	(·2)
Share of net tangible assets at 31st March 1990	3·5

The cost of investments in related companies is £·5m (1989 £·5m).

	Shares in subsidiaries £m	Loans to subsidiaries £m	Shares in related companies £m	Total £m
Parent				
Cost				
At 31st March 1989	247·6	296·6	·5	544·7
Additions	836·4	85·6	—	922·0
Repayments	—	(75·7)	—	(75·7)
Currency adjustments	—	8·9	—	8·9
At 31st March 1990	1084·0	315·4	·5	1399·9
Provision				
At 31st March 1989	127·2	127·1	·1	254·4
Movement	102·9	(79·9)	(·1)	22·9
At 31st March 1990	230·1	47·2	—	277·3
Net book value at 31st March 1990	853·9	268·2	·5	1122·6

During the year the parent acquired the share capital of:

a Ward White Group plc, a group engaged principally in the retailing of autoparts and DIY products in the UK and autoparts in the US. Its US operations, however, did not meet Boots long term strategic objectives and it was announced at the time of the acquisition that they would be sold. To date a footwear business has been sold and contracts for the sale of the autoparts businesses have been exchanged.
The shares acquired in Ward White Group plc were:
120,789,061 ordinary shares of 25p each
232,703,704 convertible redeemable preference shares of 10p each
The consideration was satisfied by the issue of 48,659,758 ordinary shares of 25p each at a price of £3 per share, loan notes of £21·4m and by cash of £728·0m. = 895·4 759·1

b Miller and Santhouse PLC, retail opticians and manufacturers of prescription glasses. This involved the issue of 1,359,696 ordinary shares of 25p each at a price of £3·08 per share, loan notes of £3·0m and cash of £8·0m. 8,082,383 ordinary shares of Miller and Santhouse PLC of 5p each are held by the company.

Statutory share premium relief under section 131 of the Companies Act 1985 was taken in both cases.

The list of principal companies shown on pages 49 and 50 forms part of this note.

12·2mn
133·8mn

339,924
3,847,939
3,000,000
8·000 00

13 STOCKS

	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Manufacturing:				
Raw materials	**29·0**	31·4	**17·3**	19·1
Work in progress	**17·3**	19·9	**11·2**	14·7
Finished goods	**34·8**	33·8	**10·8**	9.7
	81·1	85·1	**39·3**	43·5
Retailing	**443·7**	320·8	**117·7**	117·8
Properties under development	**8·0**	—	**—**	—
	532·8	405·9	**157·0**	161·3

14 DEBTORS

	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Falling due within one year:				
Trade debtors	**141·6**	128·1	**85·9**	82·2
Owed by subsidiaries	**—**	—	**225·0**	252·6
Owed by related companies	**·1**	—	**·1**	—
Other debtors	**102·8**	26·0	**18·0**	8·9
Prepayments and accrued income	**40·5**	30·2	**12·3**	16·3
	285·0	184·3	**341·3**	360·0
Falling due after more than one year:				
Owed by subsidiaries	**—**	—	**53·2**	—
Advance corporation tax	**23·4**	20·1	**23·4**	20·1
Other debtors	**10·7**	7·8	**4·2**	4·9
	319·1	212·2	**422·1**	385·0

15 CURRENT ASSETS—INVESTMENTS

	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Listed investments	**·8**	64·8	**—**	64·7
Short term deposits	**28·1**	259·8	**1·9**	201·9
	28·9	324·6	**1·9**	266·6
Market value of investments listed on The International Stock Exchange	**·8**	65·1	**—**	65·0

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent	
	1990 £m	1989 £m	1990 £m	1989 £m
Bank loans and overdrafts	**91·3**	96·1	**71·5**	75·8
Bills of exchange—bank acceptances	**65·8**	—	**65·8**	—
—trade	**5·6**	4·3	**·1**	·4
Commercial paper	**107·6**	—	**107·6**	—
Trade creditors	**294·5**	148·7	**203·9**	122·8
Due to subsidiaries	**—**	—	**34·0**	46·3
Corporation tax	**78·2**	72·4	**14·3**	27·4
Advance corporation tax	**34·9**	30·1	**34·9**	30·1
Taxation and social security (including value added and other sales taxes)	**31·6**	23·4	**18·9**	20·6
Other creditors	**94·6**	81·7	**37·4**	36·2
Accruals	**78·2**	36·5	**14·4**	10·8
Proposed dividend	**70·1**	60·2	**70·1**	60·2
	952·4	553·4	**672·9**	430·6

Overdrafts of certain subsidiaries amounting to £·6m at 31st March 1990 (1989 £1·0m) were secured on the assets of those subsidiaries.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1990 £m	Group 1989 £m	Parent 1990 £m	Parent 1989 £m
Unsecured loans:				
Variable rate notes 1999	**36·7**	12·3	**36·7**	12·3
US$ 175m 9% bonds 1997	**107·4**	—	**107·4**	—
7¾% stock 1988/93	**5·7**	5·7	**5·7**	5·7
Variable rate notes 1993	**1·7**	—	**—**	—
Variable rate notes 1992	**3·2**	—	**—**	—
Foreign currency bank loans	**1·0**	·8	**—**	—
Due to subsidiaries	**—**	—	**172·6**	21·6
Other creditors	**4·5**	3·0	**1·8**	1·8
Accruals	**4·8**	2·5	**—**	—
	165·0	24·3	**324·2**	41·4

The 9% bonds are redeemable at their principal amount in 1997. The 7¾% stock is repayable on or before 30th September 1993 at the option of the company. The variable rate notes 1999 are repayable at the option of the holder on or before 1st August 1999. Interest on these notes is payable at the prevailing London Inter Bank Offered Rate. Other creditors are repayable within 5 years.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group Deferred taxation £m	Acquisition provisions £m	Total £m	Parent Deferred taxation £m
At 31st March 1989	16·4	—	16·4	14·4
Reclassification	—	5·6	5·6	—
Currency adjustments	(·2)	—	(·2)	—
Acquisitions	(11·5)	44·2	32·7	—
Expenditure	—	(22·3)	(22·3)	—
Profit and loss account	4·9	—	4·9	(6·1)
Revaluation reserve	(1·0)	—	(1·0)	—
At 31st March 1990	8·6	27·5	36·1	8·3

In view of the disclosure of the movements in acquisition provisions now required by SSAP 22 and dealt with in note 21, provisions amounting to £5·6m included within creditors last year have been reclassified as acquisition provisions.

	1990 £m	1989 £m	1990 £m	1989 £m
Analysis of deferred taxation provision:				
Capital allowances	**23·6**	18·5	**7·4**	10·4
Capital gains taxation	**3·0**	4·0	**—**	—
Other items:				
UK	**(12·1)**	1·1	**·9**	4·0
Overseas	**(5·9)**	(7·2)	**—**	—
	8·6	16·4	**8·3**	14·4
Unprovided deferred taxation:				
Capital allowances	**60·1**	56·5	**28·5**	26·8
Capital gains rolled over	**42·9**	35·0	**·4**	·4
Other items	**(·2)**	(2·7)	**—**	—
	102·8	88·8	**28·9**	27·2

It is not anticipated that any significant taxation will become payable on the revaluation surplus, as taxation on gains on properties sold in the normal course of business is expected to be deferred indefinitely.

19 SHARE CAPITAL

	1990 £m	1989 £m
Ordinary shares of 25p each:		
Authorised	**300·0**	300·0
Allotted, called up and fully paid	**245·0**	231·7

Details of ordinary shares allotted during the year are as follows:

	Scrip dividends	Profit sharing schemes	Option schemes	Acquisitions	Total
Number of shares allotted (million)	2·2	·7	·6	50·0	53·5
	£m	£m	£m	£m	£m
Nominal value	·5	·2	·1	12·5	13·3
Share premium (before relief)	5·5	1·7	1·0	137·7	145·9
Consideration	6·0	1·9	1·1	150·2	159·2

During the year approximately 28% of shareholders owning 7% of shares, elected to take all or part of their dividends in shares.

A profit sharing scheme enables qualifying employees to acquire ordinary shares at market price from a cash bonus.

Under a savings-related scheme options may be granted enabling employees with over three years service to subscribe for ordinary shares at approximately 80% of market price. At 31st March 1990, options exercisable from 1990 to 1997 at between 86·5p and 276p per share were outstanding in respect of 5,807,111 shares.

Under an executive share option scheme certain senior executives are granted options to subscribe for ordinary shares. At 31st March 1990, such options were outstanding as follows:

1,415,000 shares at 195p exercisable to August 1995
625,000 shares at 307p exercisable from June 1990 to June 1997
365,000 shares at 219p exercisable from December 1990 to December 1997
75,000 shares at 214p exercisable from June 1991 to June 1998
10,000 shares at 217p exercisable from November 1991 to November 1998
2,265,000 shares at 257p exercisable from December 1992 to December 1999

A maximum of 80 million ordinary shares is available for these schemes.

Shares issued for acquisitions are detailed in note 12 on page 38.

An analysis of shareholders is as follows:

Shareholdings range	Number	%	Total Holding	%
1 — 500	30,903	24·8	7,665,531	·8
501 — 1,000	26,372	21·2	19,914,190	2·0
1,001 — 10,000	62,944	50·5	172,040,543	17·6
10,001 — 100,000	3,727	3·0	87,348,331	8·9
100,001 — 1,000,000	535	·4	175,583,714	17·9
Over 1,000,000	129	·1	517,568,817	52·8
	124,610	100·0	980,121,126	100·0

20 RESERVES

Group	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share of related companies £m	Total £m
At 31st March 1989	14·0	571·0	817·8	2·8	1405·6
Profit retained	—	—	135·5	·6	136·1
Goodwill	—	—	(660·8)	—	(660·8)
Revaluation surplus realised on disposals	—	(10·1)	—	—	(10·1)
Currency adjustments	—	—	6·0	(·2)	5·8
Disposal of subsidiaries	—	(·3)	·3	—	—
Issue of shares	8·2	—	—	—	8·2
Share issue expenses	(·2)	—	—	—	(·2)
Deferred taxation	—	1·0	—	—	1·0
At 31st March 1990	22·0	561·6	298·8	3·2	885·6

Parent	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 31st March 1989	14·0	32·7	557·7	604·4
Profit retained	—	—	46·9	46·9
Revaluation surplus realised on transfers	—	(32·7)	—	(32·7)
Issue of shares	8·2	—	—	8·2
Share issue expenses	(·2)	—	—	(·2)
At 31st March 1990	22·0	—	604·6	626·6

21 ACQUISITIONS

	Book value at acquisition £m	Fair value adjustments £m	Accounting policy alignment £m	Acquisition provisions £m	Fair value to the group £m
Ward White Group:					
Tangible fixed assets	182·2	(6·8)	(1·5)	—	173·9
Stock	112·3	(7·3)	(·5)	—	104·5
Debtors	142·1	(4·1)	(7·4)	—	130·6
Current investments	9·9	(8·1)	—	—	1·8
Net borrowings	(139·7)	—	—	—	(139·7)
Creditors	(114·9)	(14·1)	(1·0)	—	(130·0)
Acquisition provisions	—	—	—	(32·3)	(32·3)
Deferred taxation	(9·3)	4·8	3·1	9·2	7·8
	182·6	(35·6)	(7·3)	(23·1)	116·6
Other acquisitions	12·1	(4·1)	(1·2)	(9·2)	(2·4)
Net assets acquired	194·7	(39·7)	(8·5)	(32·3)	114·2
Goodwill:					
On the acquisition of Ward White Group				644·9	
On other acquisitions (including prior year £2·0m)				15·9	
					660·8
					775·0
Discharged by:					
Shares issued					12·5
Loan notes issued					24·4
Cash consideration					738·1
					775·0

The US assets of the Ward White Group, identified for immediate disposal, are included in the book value at acquisition above, at disposal value.

Acquisition provisions reflect the projected cost of implementing strategic changes.

Statutory share premium relief under section 131 of the Companies Act 1985 has been taken on the acquisitions of the Ward White and Miller and Santhouse Groups. Goodwill is reduced accordingly.

22 CAPITAL BONDS

In January 1990, Boots Finance Ltd issued £155m of 6% convertible capital bonds, guaranteed on a subordinated basis by the parent company. The bonds are convertible at any time into redeemable preference shares of Boots Finance Ltd, which in turn are immediately exchangeable for ordinary shares of The Boots Company PLC at 335 pence per share. This price represents a 16% premium over the market price at the time of issue.

In addition to this right to obtain Boots ordinary shares, bondholders may elect in January 1995 to convert their bonds into preference shares and require Boots Finance Ltd to redeem those preference shares, at the same time paying supplemental interest on the bonds. Such interest, if paid, would increase the yield on the bonds from 6% to 11·69% per annum over the five years to January 1995 (the optional redemption date).

However, Boots Finance Ltd has the right to offer bondholders a further optional redemption date, supported (if necessary) by a revised level of supplemental interest. Moreover, Boots Finance Ltd can require conversion of the bonds so as to ensure exchange into ordinary shares either on 29th January 1995 at a price which assures holders of an 11·69% return, or at any time, subject to the price of ordinary shares in Boots having exceeded certain levels.

In the directors' opinion, the flexibility available ensures that it is very unlikely that redemption will occur, and consequently no supplemental interest will arise. No provision for this has therefore been made in these accounts.

23 PENSIONS

The group operates pension schemes throughout the world. The major schemes, including those in the UK, are final salary (defined benefit) schemes, and are fully funded.

The principal UK pension scheme is Boots Pension Scheme, the cost for which is determined by Bacon & Woodrow, consulting actuaries. The pension cost for Boots Pension Scheme was £8·7m for the period to 1st November 1989, from which date it was reduced to zero on the availability of the results of the 1st April 1989 valuation. The zero charge arises as a result of amortisation of surplus being recognised over 12 years, the expected average remaining service life of members, after benefit improvements.

The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The assumed rate of investment return was 2% per annum above the assumed rate of pay increases, excluding promotional increases, 4% per annum above the assumed rate of pension increases and 4½% per annum above the assumed rate of dividend increases. Members retiring are assumed to be replaced by new entrants so that the average age of the membership remains constant.

The market value of the scheme's assets was £858 million at 1st April 1989. The valuation showed that the actuarial value of the assets at 1st April 1989 represented 145% of the actuarial value of the accrued benefits before improvements. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service to the valuation date for active members, allowing for future pay increases. The excess of assets over liabilities has arisen because investment performance has been better than assumed. The employer's contributions are equal to the pension costs recognised in the group accounts.

24 COMMITMENTS

a Future capital expenditure approved by the directors and not provided for in these accounts is as follows:

	Group		Parent	
	1990	1989	**1990**	1989
	£m	£m	**£m**	£m
Contracts placed	**59·9**	50·8	**10·1**	10·9
Contracts not placed	**36·5**	30·4	**2·8**	2·9
	96·4	81·2	**12·9**	13·8

b Annual commitments under operating leases at 31st March 1990 are as follows:

	Group		Parent	
	Land and buildings	Other	Land and buildings	Other
	£m	£m	£m	£m
Expiring:				
Within one year	1·8	3·7	1·3	1·4
Over one year and less than five years	10·5	9·7	5·1	2·7
Over five years	106·9	·3	—	—
	119·2	13·7	6·4	4·1

c There is a contingent liability of up to US$11·25m (1989 US$22·5m) in respect of potential outstanding instalments of deferred consideration for the Flint business, acquired in 1986. The amount due depends on sales levels achieved by a range of Flint products within the period ending on 31st December 1990.

25 STAFF NUMBERS AND COSTS

The average number of persons employed by the group during the year was as follows:

	1990	1989
Pharmaceuticals Division	**9,491**	9,666
Boots The Chemists Division	**55,168**	53,873
Retail Division	**13,077**	5,206
Property Division	**46**	42
Central	**866**	1,180
Total employees	**78,648**	69,967

Total number of persons employed by the group at 31st March 1990 was 84,165 (1989 68,828).

The aggregate payroll cost was as follows:	**£m**	£m
Wages and salaries (including profit earning bonus of £28·0m) (1989 £22·3m)	**539·1**	449·7
Social security costs	**45·4**	39·9
Other pension costs	**13·8**	17·1
	598·3	506·7

All the employees of our South African company are paid above the Supplemented Living level. Further information is available from the Secretary.

26 DIRECTORS' SHAREHOLDINGS

The beneficial interests of the directors and their families in the share capital of the company at 31st March are shown below.
Included under 'ordinary shares' are those held in trust under the company's profit sharing scheme. Details of this scheme and the company's share option schemes are referred to in note 19. No director holds any loan capital.

	Ordinary shares		Ordinary shares under option			
			Executive scheme		Savings scheme	
	1990	1989	**1990**	1989	**1990**	1989
K Ackroyd	**24,811**	22,733	**287,500**	137,500	**10,453**	5,211
Sir Christopher Benson	**12,590**	2,500*	—	—	—	—
Sir James Blyth	**7,127**	5,208	**520,000**	365,000	**5,401**	3,654
Dr E E Cliffe	**23,967**	21,436	**212,500**	137,500	**6,862**	4,416
P H Courtney	**19,592**	15,475	**177,500**	115,000	**9,184**	7,744
R N Gunn	**30,723**	26,535	**225,000**	225,000	—	2,055
A H Hawksworth	**13,229**	11,074	**162,500**	90,000	**10,064**	4,822
G M Hourston	**24,635**	20,072	**250,000**	110,000	**3,495**	2,055
A B Marshall	**2,743**	2,648	—	—	—	—
The Baroness Oppenheim-Barnes	**2,322**	2,242	—	—	—	—
I M G Prosser	**1,072**	1,072	—	—	—	—
Sir Peter Reynolds	**2,434**	2,400	—	—	—	—
T G Richardson	**10,553**	8,491	**77,500**	100,000	**8,723**	5,228
M F Ruddell	**5,217**	3,417	**162,500**	90,000	**5,374**	3,627
G R Solway	**20,760**	19,030	**170,000**	100,000	**7,446**	4,592

In addition Sir Peter Reynolds has a non-beneficial interest in 1,300 (1989 1,300) ordinary shares.

On 5th April 1990, Mr P H Courtney exercised his option over 100,000 ordinary shares and sold 105,153 ordinary shares. Other than this, directors' holdings on 7th June 1990 are unchanged.

*At date of appointment.

27 REMUNERATION OF DIRECTORS AND SENIOR UK EMPLOYEES

The following remuneration of directors and senior employees is included in the aggregate payroll cost.

		1990	1989
		£000	£000
i	Remuneration of directors:		
	Fees	**54**	44
	Other remuneration	**2373**	2105
	Payment to former director	**200**	6
		2627	2155

ii The remuneration of the chairman excluding pension contributions was £162,000 (1989 £203,000)

iii The remuneration of the highest paid director excluding pension contributions was £383,000 (1989 £307,000)

iv An analysis of remuneration of directors (except where duties were discharged mainly outside the UK) and UK employees earning over £30,000 in the year, is shown overleaf, excluding pension contributions:

27 REMUNERATION OF DIRECTORS AND SENIOR UK EMPLOYEES (continued)

	Numbers					Numbers			
	Directors		Employees			Directors		Employees	
	1990	1989	**1990**	1989		**1990**	1989	**1990**	1989
£380,001 – 385,000	**1**	—			£95,001 – 100,000	**—**	—	**5**	—
£305,001 – 310,000	**—**	1			£90,001 – 95,000	**—**	—	**4**	1
£215,001 – 220,000	**1**	—			£85,001 – 90,000	**—**	—	**7**	3
£200,001 – 205,000	**—**	1			£80,001 – 85,000	**—**	—	**8**	4
£190,001 – 195,000	**1**	—			£75,001 – 80,000	**—**	—	**7**	5
£170,001 – 175,000	**1**	—			£70,001 – 75,000	**—**	—	**9**	8
£160,001 – 165,000	**1**	—			£65,001 – 70,000	**—**	—	**5**	8
£155,001 – 160,000	**—**	1			£60,001 – 65,000	**—**	—	**7**	6
£150,001 – 155,000	**—**	1			£55,001 – 60,000	**—**	—	**19**	2
£145,001 – 150,000	**1**	—			£50,001 – 55,000	**—**	—	**29**	11
£140,001 – 145,000	**1**	—			£45,001 – 50,000	**1**	—	**30**	25
£135,001 – 140,000	**2**	1			£40,001 – 45,000	**—**	—	**67**	38
£130,001 – 135,000	**—**	1			£35,001 – 40,000	**—**	—	**144**	83
£115,001 – 120,000	**—**	2			£30,001 – 35,000	**1**	1	**367**	174
£110,001 – 115,000	**—**	1	**1**	—	£15,001 – 20,000	**1**	1		
£105,001 – 110,000	**—**	1	**—**	1	£10,001 – 15,000	**4**	3		

AUDITORS' REPORT

to the members of The Boots Company PLC.

We have audited the accounts on pages 28 to 50 in accordance with Auditing Standards. In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st March 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock
Chartered Accountants, Birmingham
7th June 1990

	Percentage held by parent	Percentage held by subsidiaries	Principal activities
Parent			
The Boots Company PLC			Manufacturing marketing and distribution of pharmaceuticals and consumer products
Subsidiaries (incorporated in Great Britain)			
A.G. Stanley Ltd.		100	Retailing of decorative products and interior furnishings
Boots Development Properties Ltd.		100	Property development
Boots Opticians Ltd.		100	Registered opticians
Boots Print Ltd.	100		Printing and packaging
Boots Properties PLC	100		Property holding
Boots The Chemists Ltd.	100		Retail chemists
Childrens World Ltd.	100		Retailing of goods and services for children
Crookes Healthcare Ltd.	100		Marketing consumer products
Farley Health Products Ltd.	100		Manufacturing consumer products
Halfords Ltd.		100	Retailing of car parts, accessories and bicycles
LCP Holdings PLC		100	Property management
Lowpine Properties Ltd.		100	Property management
Miller and Santhouse PLC	100		Specialist optical retailer and holding company
Optrex Ltd.	100		Marketing consumer products
Payless DIY Ltd.		100	DIY retailer
Underwoods (Cash Chemists) Ltd.		100	Property holding
Ward White Group plc	100		Holding and management company
Ward White Developments Ltd.		100	Property management
Whites Property Co. Ltd.		100	Property holding
Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia			
The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium			
The Boots Company (Belgium) S.A.		100	Marketing
Canada			
Flint Laboratories (Canada) Ltd.		100	Marketing
France			
Laboratoires Boots-Dacour S.A.	100		Manufacturing and marketing
Beaute, Hygiene et Soins, S.A.	100		Retailing of cosmetics and toiletries
The Netherlands			
The Boots Company (Holland) B.V.	100		Marketing
Ireland			
The Boots Company (Ireland) Ltd.	100		Marketing
Italy			
Boots Italia S.p.A.	100		Marketing
Jersey			
Boots Finance Ltd.	100		Finance Company

	Percentage held by parent	Percentage held by subsidiaries	Principal activities
Subsidiaries (incorporated overseas) —continued			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Kenya			
The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
Malaysia			
Optrex (Malaya) Sdn. Bhd.		100	Marketing
New Zealand			
Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan			
The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and marketing
Philippines			
The Boots Company (Philippines) Inc.	100		Marketing
Singapore			
The Boots Company (Far East) Pte. Ltd.	100		Marketing
South Africa			
The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Spain			
Laboratorios Liade S.A.	100		Manufacturing and marketing
Thailand			
The Boots Company (Thailand) Ltd.	100		Marketing
USA			
The Boots Company (USA) Inc.	100		Clinical development, manufacturing and marketing
Boots Pharmaceuticals PR, Inc.		100	Manufacturing pharmaceuticals
West Germany			
Kanoldt Arzneimittel GmbH		100	Manufacturing and marketing pharmaceuticals

All percentages relate to holdings of ordinary shares.

	Issued share capital	Percentage held	Principal activities
Related companies			
India			
The Boots Company (India) Ltd.	8,100,000 ordinary shares of 10 rupees paid	40	Manufacturing and marketing
Yugoslavia			
OOUR Boots-Galenika	not applicable	49	Manufacturing pharmaceuticals

All the companies operate principally in the country of incorporation, except Boots Pharmaceuticals PR Inc. which operates mainly in Puerto Rico.

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Turnover	**3381·4**	2704·4	2589·8	2351·7	2126·1
Profit on ordinary activities before taxation	**358·0**	306·7	257·6	242·8	210·4
Taxation	**(112·6)**	(96·8)	(75·9)	(77·4)	(72·8)
Profit on ordinary activities after taxation	**245·4**	209·9	181·7	165·4	137·6
Minority interests	**(·6)**	(·8)	(·7)	(1·6)	(1·7)
	244·8	209·1	181·0	163·8	135·9
Extraordinary items	**(·9)**	(5·7)	1·4	—	—
Profit attributable to shareholders	**243·9**	203·4	182·4	163·8	135·9
Dividends	**(107·8)**	(92·6)	(81·2)	(73·6)	(51·8)
Profit retained	**136·1**	110·8	101·2	90·2	84·1
Balance sheets					
Fixed assets	**1551·2**	1282·6	666·1	620·2	574·7
Investments	**3·5**	3·3	3·2	4·9	2·7
Net current (liabilities)/assets	**(66·4)**	393·5	358·1	319·1	284·4
Other creditors	**(165·0)**	(24·3)	(10·1)	(12·4)	(12·0)
Provisions for liabilities and charges	**(36·1)**	(16·4)	(18·5)	(17·3)	(18·8)
	1287·2	1638·7	998·8	914·5	831·0
Represented by:					
Shareholders funds	**1130·6**	1637·3	998·7	913·2	827·5
Convertible capital bonds	**155·0**	—	—	—	—
Minority interests	**1·6**	1·4	·1	1·3	3·5
	1287·2	1638·7	998·8	914·5	831·0
Earnings per share	**25·5p**	22·6p	19·6p	19·5p	18·6p
Dividend per share	**11·0p**	10·0p	8·8p	8·0p	7·1p
Dividend cover	**2·3**	2·3	2·2	2·2	2·6
Gearing %	**23·4**	—	—	—	—
Profit on ordinary activities before taxation as % of shareholders funds	**31·7**	18·7	25·8	26·6	25·4
Profit on ordinary activities after taxation as % of shareholders funds	**21·7**	12·8	18·2	18·1	16·6

1990 includes goodwill written off on acquisitions of £660·8m. In 1989 a property revaluation surplus of £568·9m was recorded. Results for 1988 exclude an extra quarter's results arising from the change to coterminous accounting by overseas companies.

Gearing % calculation is based on net debt of £391·9m expressed as a percentage of net debt, shareholders funds and convertible capital bonds.

	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Pharmaceuticals Division					
Turnover					
UK (including exports)	**324·6**	315·4	323·1	284·7	244·5
Overseas	**293·8**	244·5	235·6	213·1	194·7
Intra-divisional	**(34·6)**	(35·3)	(39·5)	(30·5)	(34·3)
	583·8	524·6	519·2	467·3	404·9
Profit on ordinary activities before taxation					
UK	**35·5**	37·3	46·3	53·9	39·7
Overseas	**75·6**	58·0	55·5	30·6	26·9
	111·1	95·3	101·8	84·5	66·6
Capital expenditure	**23·5**	20·9	25·1	26·7	47·8
Boots The Chemists Division					
Turnover	**2268·9**	2084·0	1928·0	1787·2	1644·9
Profit on ordinary activities before taxation	**190·0**	151·0	101·8	95·3	78·5
Capital expenditure	**75·5**	66·0	59·6	45·5	39·4
Retail Division					
Turnover					
UK	**480·1**	75·9	52·2	12·4	—
Overseas	**59·2**	145·2	225·0	205·4	187·1
	539·3	221·1	277·2	217·8	187·1
Profit on ordinary activities before taxation					
UK	**24·3**	(2·9)	(2·8)	(1·8)	(·1)
Overseas	**(·3)**	1·5	(4·1)	(1·4)	(·6)
	24·0	(1·4)	(6·9)	(3·2)	(·7)
Capital expenditure	**30·7**	15·0	20·6	17·2	8·4
Property Division					
Profit on ordinary activities before taxation					
Net rents	**39·2**	34·4	31·8	31·3	33·6
Profit from property sales	**15·2**	11·7	21·3	21·0	19·3
	54·4	46·1	53·1	52·3	52·9
Capital expenditure	**21·4**	16·0	14·2	9·7	7·5

Turnover of Pharmaceuticals Division includes sales to Boots The Chemists Division.

A change in the basis of pricing of goods sold by Pharmaceuticals Division to Boots The Chemists Division resulted in a reduction in Pharmaceuticals Division turnover of £21·7m and a transfer of profit of £11·4m to Boots The Chemists Division in 1989.

Results for 1988 exclude an extra quarter's results arising from the change to coterminous accounting by overseas companies.

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